

**QUARTERLY STATEMENT**  
**OF THE**  
**Victory Health Plan, Inc.**

**of**  
**Brentwood**  
**in the state of**  
**Tennessee**

**TO THE**  
**Insurance Department**  
**OF THE STATE OF**  
**Tennessee**

**FOR THE QUARTER ENDED**  
**June 30, 2004**

**2004**

HEALTH QUARTERLY STATEMENT

AS OF June 30, 2004

OF THE CONDITION AND AFFAIRS OF THE

Victory Health Plan, Inc.

NAIC Group Code

1268

(Current Period)

1268

(Prior Period)

NAIC Company Code

95792

Employer's ID Number

62-1531881

Organized under the Laws of

Tennessee

State of Domicile or Port of Entry

Tennessee

Country of Domicile

United States of America

Licensed as business type:

Life, Accident & Health[ ]

Property/Casualty[ ]

Hospital, Medical & Dental Service or Indemnity[ ]

Dental Service Corporation[ ]

Vision Service Corporation[ ]

Health Maintenance Organization[X]

Other[ ]

Is HMO Federally Qualified? Yes[ ] No[X]

Date Incorporated or Organized

05/14/1993

Date Commenced Business

01/01/1994

Statutory Home Office

215 Centerview Drive, Suite 300

(Street and Number)

Brentwood, TN 37027

(City, or Town, State and Zip Code)

Main Administrative Office

215 Centerview Drive, Suite 300

(Street and Number)

Brentwood, TN 37027

(City or Town, State and Zip Code)

(615)782-7800

(Area Code) (Telephone Number)

Mail Address

215 Centerview Drive, Suite 300

(Street and Number or P.O. Box)

Brentwood, TN 37027

(City, or Town, State and Zip Code)

Primary Location of Books and Records

215 Centerview Drive, Suite 300

(Street and Number)

Brentwood, TN 37027

(City, or Town, State and Zip Code)

(615)782-7914

(Area Code) (Telephone Number)

Internet Website Address

Statutory Statement Contact

Jennifer Giannotti

(Name)

(615)782-7914

(Area Code)(Telephone Number)(Extension)

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(E-Mail Address)

(615)782-7826

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Policyowner Relations Contact

(Street and Number)

(City, or Town, State and Zip Code)

(Area Code) (Telephone Number)(Extension)

OFFICERS

Michael Bailey, President

Willis Jones, Secretary

, Treasurer

OTHERS

DIRECTORS OR TRUSTEES

Philip Hertik

Michael Bailey

Willis Jones

State of

Tennessee

County of

Williamson

ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)

Michael Bailey

(Printed Name)

President

(Title)

(Signature)

Willis Jones

(Printed Name)

Secretary

(Title)

(Signature)

(Printed Name)

Treasurer

(Title)

Subscribed and sworn to before me this

day of

, 2004

a. Is this an original filing?

b. If no,

1. State the amendment number

2. Date filed

3. Number of pages attached

Yes[X] No[ ]

(Notary Public Signature)

ASSETS

|                      |   | Current Statement Date |                    |                                   | 4   |
|----------------------|---|------------------------|--------------------|-----------------------------------|---|
|                      |   | 1                      | 2                  | 3                                 |   |
|                      |   | Assets                 | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | December 31, Prior Year Net Admitted Assets |
| 1.                   | Bonds .....   | 1,354,390              |                    | 1,354,390                         | 1,327,515                                   |
| 2.                   | Stocks:   |                        |                    |                                   |   |
| 2.1                  | Preferred stocks .....  |                        |                    |                                   |   |
| 2.2                  | Common stocks .....   |                        |                    |                                   |   |
| 3.                   | Mortgage loans on real estate:  |                        |                    |                                   |   |
| 3.1                  | First liens .....   |                        |                    |                                   |   |
| 3.2                  | Other than first liens .....  |                        |                    |                                   |   |
| 4.                   | Real estate:  |                        |                    |                                   |   |
| 4.1                  | Properties occupied by the company (less \$..... encumbrances) .....  |                        |                    |                                   |   |
| 4.2                  | Properties held for the production of income (less \$..... encumbrances) .....  |                        |                    |                                   |   |
| 4.3                  | Properties held for sale (less \$..... encumbrances) .....  |                        |                    |                                   |   |
| 5.                   | Cash (\$.....3,183,310), cash equivalents (\$.....) and short-term investments \$.....) .....   | 3,183,310              |                    | 3,183,310                         | 3,251,451                                   |
| 6.                   | Contract loans (including \$..... premium notes) .....  |                        |                    |                                   |   |
| 7.                   | Other invested assets .....   |                        |                    |                                   |   |
| 8.                   | Receivable for securities .....   |                        |                    |                                   |   |
| 9.                   | Aggregate write-ins for invested assets .....   |                        |                    |                                   |   |
| 10.                  | Subtotals, cash and invested assets (Lines 1 to 9) .....  | 4,537,700              |                    | 4,537,700                         | 4,578,966                                   |
| 11.                  | Investment income due and accrued .....   | 8,433                  |                    | 8,433                             | 8,594                                       |
| 12.                  | Premiums and considerations:  |                        |                    |                                   |   |
| 12.1                 | Uncollected premiums and agents' balances in the course of collection .....   |                        |                    |                                   |   |
| 12.2                 | Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums) ..... |                        |                    |                                   |   |
| 12.3                 | Accrued retrospective premiums .....  |                        |                    |                                   |   |
| 13.                  | Reinsurance:  |                        |                    |                                   |   |
| 13.1                 | Amounts recoverable from reinsurers .....   |                        |                    |                                   |   |
| 13.2                 | Funds held by or deposited with reinsured companies .....   |                        |                    |                                   |   |
| 13.3                 | Other amounts receivable under reinsurance contracts .....  |                        |                    |                                   |   |
| 14.                  | Amounts receivable relating to uninsured plans .....  | 243,441                | 224,360            | 19,081                            |   |
| 15.1                 | Current federal and foreign income tax recoverable and interest thereon ...   |                        |                    |                                   |   |
| 15.2                 | Net deferred tax asset .....  |                        |                    |                                   |   |
| 16.                  | Guaranty funds receivable or on deposit .....   |                        |                    |                                   |   |
| 17.                  | Electronic data processing equipment and software .....   |                        |                    |                                   |   |
| 18.                  | Furniture and equipment, including health care delivery assets (\$.....) .....  |                        |                    |                                   |   |
| 19.                  | Net adjustments in assets and liabilities due to foreign exchange rates .....   |                        |                    |                                   |   |
| 20.                  | Receivables from parent, subsidiaries and affiliates .....  |                        |                    |                                   |   |
| 21.                  | Health care (\$.....) and other amounts receivable .....  |                        |                    |                                   | 152,000                                     |
| 22.                  | Other assets nonadmitted .....  |                        |                    |                                   |   |
| 23.                  | Aggregate write-ins for other than invested assets .....  |                        |                    |                                   |   |
| 24.                  | Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....                                | 4,789,574              | 224,360            | 4,565,214                         | 4,739,560                                   |
| 25.                  | From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....   |                        |                    |                                   |   |
| 26.                  | TOTALS (Lines 24 and 25) .....  | 4,789,574              | 224,360            | 4,565,214                         | 4,739,560                                   |
| DETAILS OF WRITE-INS |   |                        |                    |                                   |   |
| 0901                 | .....   |                        |                    |                                   |   |
| 0902                 | .....   |                        |                    |                                   |   |
| 0903                 | .....   |                        |                    |                                   |   |
| 0998.                | Summary of remaining write-ins for Line 9 from overflow page .....  |                        |                    |                                   |   |
| 0999.                | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....   |                        |                    |                                   |   |
| 2301.                | .....   |                        |                    |                                   |   |
| 2302                 | .....   |                        |                    |                                   |   |
| 2303                 | .....   |                        |                    |                                   |   |
| 2398.                | Summary of remaining write-ins for Line 23 from overflow page .....   |                        |                    |                                   |   |
| 2399.                | TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....  |                        |                    |                                   |   |

**LIABILITIES, CAPITAL AND SURPLUS**

|                      |   | Current Period |                |              | Prior Year   |
|----------------------|---|----------------|----------------|--------------|--------------|
|                      |   | 1<br>Covered   | 2<br>Uncovered | 3<br>Total   | 4<br>Total   |
| 1.                   | Claims unpaid (less \$..... reinsurance ceded) .....  |                |                |              | 64,818       |
| 2.                   | Accrued medical incentive pool and bonus amounts .....  |                |                |              |              |
| 3.                   | Unpaid claims adjustment expenses .....   |                |                |              |              |
| 4.                   | Aggregate health policy reserves .....  |                |                |              |              |
| 5.                   | Aggregate life policy reserves .....  |                |                |              |              |
| 6.                   | Property/casualty unearned premium reserve .....  |                |                |              |              |
| 7.                   | Aggregate health claim reserves .....   |                |                |              |              |
| 8.                   | Premiums received in advance .....  |                |                |              |              |
| 9.                   | General expenses due or accrued .....   | 47,100         |                | 47,100       | 68,380       |
| 10.1                 | Current federal and foreign income tax payable and interest thereon (including \$.....<br>on realized gains (losses)) ..... |                |                |              |              |
| 10.2                 | Net deferred tax liability .....  |                |                |              |              |
| 11.                  | Ceded reinsurance premiums payable .....  |                |                |              |              |
| 12.                  | Amounts withheld or retained for the account of others .....  |                |                |              |              |
| 13.                  | Remittances and items not allocated .....   |                |                |              |              |
| 14.                  | Borrowed money (including \$..... current) and interest thereon \$..... (including<br>\$..... current) .....                |                |                |              |              |
| 15.                  | Amounts due to parent, subsidiaries and affiliates .....  | 3,579          |                | 3,579        | 972          |
| 16.                  | Payable for securities .....  |                |                |              |              |
| 17.                  | Funds held under reinsurance treaties with (\$..... authorized reinsurers and<br>\$..... unauthorized reinsurers) .....     |                |                |              |              |
| 18.                  | Reinsurance in unauthorized companies .....   |                |                |              |              |
| 19.                  | Net adjustments in assets and liabilities due to foreign exchange rates .....   |                |                |              |              |
| 20.                  | Liability for amounts held under uninsured accident and health plans .....  |                |                |              | 102,888      |
| 21.                  | Aggregate write-ins for other liabilities (including \$..... current) .....   |                |                |              | 114,710      |
| 22.                  | Total liabilities (Lines 1 to 21) .....   | 50,679         |                | 50,679       | 351,768      |
| 23.                  | Common capital stock .....  | X X X          | X X X          | 100,000      | 100,000      |
| 24.                  | Preferred capital stock .....   | X X X          | X X X          |              |              |
| 25.                  | Gross paid in and contributed surplus .....   | X X X          | X X X          | 85,190,279   | 85,190,279   |
| 26.                  | Surplus notes .....   | X X X          | X X X          | 4,231,300    | 4,231,300    |
| 27.                  | Aggregate write-ins for other than special surplus funds .....  | X X X          | X X X          | (6,955,991)  | (6,955,991)  |
| 28.                  | Unassigned funds (surplus) .....  | X X X          | X X X          | (78,051,053) | (78,177,796) |
| 29.                  | Less treasury stock, at cost:   |                |                |              |              |
| 29.1                 | ..... shares common (value included in Line 23 \$.....)   | X X X          | X X X          |              |              |
| 29.2                 | ..... shares preferred (value included in Line 24 \$.....)  | X X X          | X X X          |              |              |
| 30.                  | Total capital and surplus (Lines 23 to 28 minus Line 29) .....  | X X X          | X X X          | 4,514,535    | 4,387,792    |
| 31.                  | Total liabilities, capital and surplus (Lines 22 and 30) .....  | X X X          | X X X          | 4,565,214    | 4,739,560    |
| DETAILS OF WRITE-INS |   |                |                |              |              |
| 2101.                | Accounts Payable - Other .....  |                |                |              | 114,710      |
| 2102                 | .....   |                |                |              |              |
| 2103                 | .....   |                |                |              |              |
| 2198.                | Summary of remaining write-ins for Line 21 from overflow page .....   |                |                |              |              |
| 2199.                | TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....  |                |                |              | 114,710      |
| 2701.                | Dividend to Vanderbilt University .....   | X X X          | X X X          | (6,955,991)  | (6,955,991)  |
| 2702                 | .....   | X X X          | X X X          |              |              |
| 2703                 | .....   | X X X          | X X X          |              |              |
| 2798.                | Summary of remaining write-ins for Line 27 from overflow page .....   | X X X          | X X X          |              |              |
| 2799.                | TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) .....  | X X X          | X X X          | (6,955,991)  | (6,955,991)  |

STATEMENT OF REVENUE AND EXPENSES

|                       |   | Current Year To Date |                | Prior Year<br>To Date |
|-----------------------|---|----------------------|----------------|-----------------------|
|                       |   | 1<br>Uncovered       | 2<br>Total     | 3<br>Total            |
| 1.                    | Member Months .....   | X X X .....          | 190,649 .....  | 389,254 .....         |
| 2.                    | Net premium income (including \$..... non-health premium income) .....  | X X X .....          | .....          | 23,373 .....          |
| 3.                    | Change in unearned premium reserves and reserves for rate credits .....   | X X X .....          | .....          | .....                 |
| 4.                    | Fee-for-service (net of \$..... medical expenses) .....   | X X X .....          | .....          | .....                 |
| 5.                    | Risk revenue .....  | X X X .....          | .....          | .....                 |
| 6.                    | Aggregate write-ins for other health care related revenues .....  | X X X .....          | .....          | 37,290 .....          |
| 7.                    | Aggregate write-ins for other non-health revenues .....   | X X X .....          | .....          | .....                 |
| 8.                    | Total revenues (Lines 2 to 7) .....   | X X X .....          | .....          | 60,663 .....          |
| Hospital and Medical: |   |                      |                |                       |
| 9.                    | Hospital/medical benefits .....   |                      | (34,523) ..... | (62,557) .....        |
| 10.                   | Other professional services .....   |                      |                |                       |
| 11.                   | Outside referrals .....   |                      |                |                       |
| 12.                   | Emergency room and out-of-area .....  |                      |                |                       |
| 13.                   | Prescription drugs .....  |                      |                |                       |
| 14.                   | Aggregate write-ins for other hospital and medical .....  |                      |                |                       |
| 15.                   | Incentive pool, withhold adjustments and bonus amounts .....  |                      |                | 15 .....              |
| 16.                   | Subtotal (Lines 9 to 15) .....  |                      | (34,523) ..... | (62,542) .....        |
| Less:                 |   |                      |                |                       |
| 17.                   | Net reinsurance recoveries .....  |                      |                | .....                 |
| 18.                   | Total hospital and medical (Lines 16 minus 17) .....  |                      | (34,523) ..... | (62,542) .....        |
| 19.                   | Non-health claims .....   |                      |                |                       |
| 20.                   | Claims adjustment expenses, including \$..... cost containment expenses .....   |                      |                |                       |
| 21.                   | General administrative expenses .....   |                      | 31,152 .....   | 973,153 .....         |
| 22.                   | Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....    |                      |                |                       |
| 23.                   | Total underwriting deductions (Lines 18 through 22) .....   |                      | (3,371) .....  | 910,611 .....         |
| 24.                   | Net underwriting gain or (loss) (Lines 8 minus 23) .....  | X X X .....          | 3,371 .....    | (849,948) .....       |
| 25.                   | Net investment income earned .....  |                      | 28,751 .....   | 84,090 .....          |
| 26.                   | Net realized capital gains (losses) .....   |                      |                |                       |
| 27.                   | Net investment gains or (losses) (Lines 25 plus 26) .....   |                      | 28,751 .....   | 84,090 .....          |
| 28.                   | Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] ..... |                      |                |                       |
| 29.                   | Aggregate write-ins for other income or expenses .....  |                      |                |                       |
| 30.                   | Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....                                       | X X X .....          | 32,122 .....   | (765,858) .....       |
| 31.                   | Federal and foreign income taxes incurred .....   | X X X .....          |                |                       |
| 32.                   | Net income (loss) (Lines 30 minus 31) .....   | X X X .....          | 32,122 .....   | (765,858) .....       |
| DETAILS OF WRITE-INS  |   |                      |                |                       |
| 0601.                 | Other Revenue - Preformance Guarantee .....   | X X X .....          |                | 37,290 .....          |
| 0602                  | .....   | X X X .....          |                |                       |
| 0603                  | .....   | X X X .....          |                |                       |
| 0698.                 | Summary of remaining write-ins for Line 6 from overflow page .....  | X X X .....          |                |                       |
| 0699.                 | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....   | X X X .....          |                | 37,290 .....          |
| 0701                  | .....   | X X X .....          |                |                       |
| 0702                  | .....   | X X X .....          |                |                       |
| 0703                  | .....   | X X X .....          |                |                       |
| 0798.                 | Summary of remaining write-ins for Line 7 from overflow page .....  | X X X .....          |                |                       |
| 0799.                 | TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....   | X X X .....          |                |                       |
| 1401                  | .....   |                      |                |                       |
| 1402                  | .....   |                      |                |                       |
| 1403                  | .....   |                      |                |                       |
| 1498.                 | Summary of remaining write-ins for Line 14 from overflow page .....   |                      |                |                       |
| 1499.                 | TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....  |                      |                |                       |
| 2901                  | .....   |                      |                |                       |
| 2902                  | .....   |                      |                |                       |
| 2903                  | .....   |                      |                |                       |
| 2998.                 | Summary of remaining write-ins for Line 29 from overflow page .....   |                      |                |                       |
| 2999.                 | TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....  |                      |                |                       |

STATEMENT OF REVENUE AND EXPENSES (Continued)

|                                       |  | 1                       | 2           |
|---------------------------------------|--|-------------------------|-------------|
|                                       |  | Current Year<br>To Date | Prior Year  |
| CAPITAL & SURPLUS ACCOUNT             |  |                         |             |
| 33.                                   | Capital and surplus prior reporting year .....                         | 4,387,792               | 5,472,632   |
| GAINS AND LOSSES TO CAPITAL & SURPLUS |  |                         |             |
| 34.                                   | Net income or (loss) from Line 32 .....                                | 32,122                  | (765,858)   |
| 35.                                   | Change in valuation basis of aggregate policy and claim reserves ..... |                         |             |
| 36.                                   | Net unrealized capital gains and losses .....                          |                         |             |
| 37.                                   | Change in net unrealized foreign exchange capital gain or (loss) ..... |                         |             |
| 38.                                   | Change in net deferred income tax .....                                |                         |             |
| 39.                                   | Change in nonadmitted assets .....                                     | 94,621                  | (318,982)   |
| 40.                                   | Change in unauthorized reinsurance .....                               |                         |             |
| 41.                                   | Change in treasury stock .....   |                         |             |
| 42.                                   | Change in surplus notes .....  |                         |             |
| 43.                                   | Cumulative effect of changes in accounting principles .....            |                         |             |
| 44.                                   | Capital Changes:   |                         |             |
| 44.1                                  | Paid in .....  |                         |             |
| 44.2                                  | Transferred from surplus (Stock Dividend) .....                        |                         |             |
| 44.3                                  | Transferred to surplus .....   |                         |             |
| 45.                                   | Surplus adjustments:   |                         |             |
| 45.1                                  | Paid in .....  |                         |             |
| 45.2                                  | Transferred to capital (Stock Dividend) .....                          |                         |             |
| 45.3                                  | Transferred from capital .....   |                         |             |
| 46.                                   | Dividends to stockholders .....  |                         |             |
| 47.                                   | Aggregate write-ins for gains or (losses) in surplus .....             |                         |             |
| 48.                                   | Net change in capital and surplus (Lines 34 to 47) .....               | 126,743                 | (1,084,840) |
| 49.                                   | Capital and surplus end of reporting period (Line 33 plus 48) .....    | 4,514,535               | 4,387,792   |
| DETAILS OF WRITE-INS                  |  |                         |             |
| 4701.                                 | .....  |                         |             |
| 4702                                  | .....  |                         |             |
| 4703                                  | .....  |                         |             |
| 4798.                                 | Summary of remaining write-ins for Line 47 from overflow page .....    |                         |             |
| 4799.                                 | TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....       |                         |             |

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES & EXPENSES

|     |  | Current<br>Quarter | Current<br>Year | Prior Year<br>Year |
|-----|--|--------------------|-----------------|--------------------|
|     | MEMBER MONTHS  | 99,040             | 194,582         | 334,760            |
|     | <b>REVENUES:</b>                                     |                    |                 |                    |
| 1.  | TennCare Capitation                                  | 16,438,862         | 32,304,548      | 52,197,794         |
| 2.  | Investment   | 21,497             | 43,264          | 106,522            |
| 3.  | Other Revenue (Provide Detail)                       | -                  | -               | 37,290             |
| 4.  | TOTAL REVENUES (Lines 1 to 3)                        | 16,460,359         | 32,347,811      | 52,341,606         |
|     | <b>EXPENSES:</b>                                     |                    |                 |                    |
|     | Medical and Hospital Services                        |                    |                 |                    |
| 5.  | Capitated Physician Services                         | 190,296            | 450,346         | 567,696            |
| 6.  | Fee-for-Service Physician Services                   | 1,095,236          | 2,049,713       | 2,776,142          |
| 7.  | Inpatient Hospital Services                          | 1,344,276          | 3,199,176       | 2,812,688          |
| 8.  | Outpatient Services                                  | 1,448,555          | 2,676,402       | 3,477,308          |
| 9.  | Emergency Room Services                              | -                  | -               | -                  |
| 10. | Mental Health Services                               | -                  | -               | -                  |
| 11. | Dental Services                                      | -                  | -               | 6,020              |
| 12. | Vision Services                                      | 41,599             | 81,707          | 134,256            |
| 13. | Pharmacy Services                                    | -                  | 1,370           | 5,112,920          |
| 14. | Home Health Services                                 | 269,712            | 436,658         | 909,120            |
| 15. | Chiropractic Services                                | Not available      | Not available   | Not available      |
| 16. | Radiology Services                                   | Not available      | Not available   | Not available      |
| 17. | Laboratory Services                                  | -                  | -               | -                  |
| 18. | Durable Medical Equipment Services                   | Not available      | Not available   | Not available      |
| 19. | Transportation Services                              | 385,775            | 622,022         | 1,119,110          |
| 20. | Outside Referrals                                    | -                  | -               | -                  |
| 21. | Medical Incentive Pool and Withhold Adjustments      | -                  | -               | -                  |
| 22. | Occupancy, Depreciation, and Amortization            | -                  | -               | -                  |
| 23. | Other Medical and Hospital Services (Provide Detail) | 9,033,189          | 18,185,088      | 29,284,083         |
| 24. | Subtotal (Lines 5 to 23)                             | 13,808,638         | 27,702,481      | 46,199,342         |
| 25. | Reinsurance Expenses Net of Recoveries               | -                  | -               | 11,586             |
|     | LESS:  |                    |                 |                    |
| 26. | Copayments   | Not available      | Not available   | Not available      |
| 27. | Subrogation  | Not available      | Not available   | Not available      |
| 28. | Coordination of Benefits                             | Not available      | Not available   | Not available      |
| 29. | Subtotal (Lines 26 to 28)                            | -                  | -               | -                  |
| 30. | TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29) | 13,808,638         | 27,702,481      | 46,210,928         |
|     | <b>Administraton:</b>                                |                    |                 |                    |
| 31. | Compensation   | 534,510            | 1,051,246       | 2,355,011          |
| 32. | Marketing  | -                  | 32              | -                  |
| 33. | Interest Expense                                     | -                  | -               | -                  |
| 34. | Premium Tax Expense                                  | 316,035            | 316,035         | 960,320            |
| 35. | Occupancy, Depreciation, and Amortization            | 8,263              | 14,513          | 22,432             |
| 36. | Other Administrative (Provide Detail)                | 783,603            | 1,543,888       | 2,599,182          |
| 37. | TOTAL ADMINISTRATION (Lines 31 to 36)                | 1,642,410          | 2,925,714       | 5,936,945          |
| 38. | TOTAL EXPENSES (Lines 30 and 37)                     | 15,451,049         | 30,628,195      | 52,147,873         |
| 39. | NET INCOME (LOSS) (Line 4 less Line 38)              | 1,009,311          | 1,719,617       | 193,733            |

|     |   |           |            |            |
|-----|---|-----------|------------|------------|
| 23. | Detail of Other Medical and Hospital:                         |           |            |            |
|     | Ancillary Claims (includes DME, lab, rad, chiro, MH/SA, etc.) | 341,192   | 536,412    | 1,030,059  |
|     | IBNR Adjustment   | -         | -          | (37,337)   |
|     | Global Capitation   | 8,691,997 | 17,648,676 | 28,291,362 |
|     | Total Other Medical and Hospital                              | 9,033,189 | 18,185,088 | 29,284,083 |

|     |  |         |           |           |
|-----|--|---------|-----------|-----------|
| 36. | Detail of Other Administrative:                |         |           |           |
|     | Other Taxes and License Fees                   | (620)   | 20        | 660       |
|     | Consulting, Accounting, Legal Expense          | 15,050  | 31,100    | 47,260    |
|     | Bank Service Charges                           | -       | -         | -         |
|     | Pharmacy Administrative Expense                | -       | -         | -         |
|     | Insurance Expense                              | -       | -         | -         |
|     | Physician Advisory Committee/ Med Dir Services | -       | -         | -         |
|     | Other Misc. Expenses                           | 769,173 | 1,512,768 | 2,551,262 |
|     | Total Other Administrative                     | 783,603 | 1,543,888 | 2,599,182 |

CASH FLOW

|   |   | 1<br>Current<br>Year<br>To Date | 2<br>Prior<br>Year Ended<br>December 31 |
|---|---|---------------------------------|---|
| Cash from Operations                              |   |                                 |   |
| 1.  | Premiums collected net of reinsurance .....   |                                 | 23,373                                  |
| 2.  | Net investment income .....   | 43,424                          | 111,553                                 |
| 3.  | Miscellaneous income .....  | 152,000                         |   |
| 4.  | Total (Lines 1 through 3) .....   | 195,424                         | 134,926                                 |
| 5.  | Benefit and loss related payments .....   | 253,337                         | 596,089                                 |
| 6.  | Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....                            |                                 |   |
| 7.  | Commissions, expenses paid and aggregate write-ins for deductions .....                                     | (31,159)                        | 1,193,877                               |
| 8.  | Dividends paid to policyholders .....   |                                 |   |
| 9.  | Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....        |                                 | (253,356)                               |
| 10.   | Total (Lines 5 through 9) .....   | 222,178                         | 1,536,610                               |
| 11.   | Net cash from operations (Line 4 minus Line 10) .....   | (26,754)                        | (1,401,684)                             |
| Cash from Investments                             |   |                                 |   |
| 12.   | Proceeds from investments sold, matured or repaid:  |                                 |   |
| 12.1  | Bonds .....   | 770,000                         | 440,000                                 |
| 12.2  | Stocks .....  |                                 |   |
| 12.3  | Mortgage loans .....  |                                 |   |
| 12.4  | Real estate .....   |                                 |   |
| 12.5  | Other invested assets .....   |                                 |   |
| 12.6  | Net gains or (losses) on cash, cash equivalents and short-term investments .....                            |                                 |   |
| 12.7  | Miscellaneous proceeds .....  |                                 |   |
| 12.8  | Total investment proceeds (Lines 12.1 to 12.7) .....  | 770,000                         | 440,000                                 |
| 13.   | Cost of investments acquired (long-term only):  |                                 |   |
| 13.1  | Bonds .....   | 811,387                         | 555,538                                 |
| 13.2  | Stocks .....  |                                 |   |
| 13.3  | Mortgage loans .....  |                                 |   |
| 13.4  | Real estate .....   |                                 |   |
| 13.5  | Other invested assets .....   |                                 |   |
| 13.6  | Miscellaneous applications .....  |                                 |   |
| 13.7  | Total investments acquired (Lines 13.1 to 13.6) .....   | 811,387                         | 555,538                                 |
| 14.   | Net increase (or decrease) in policy loans and premium notes .....  |                                 |   |
| 15.   | Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....   | (41,387)                        | (115,538)                               |
| Cash from Financing and Miscellaneous Sources     |   |                                 |   |
| 16.   | Cash provided (applied):  |                                 |   |
| 16.1  | Surplus notes, capital notes .....  |                                 |   |
| 16.2  | Capital and paid in surplus, less treasury stock .....  |                                 |   |
| 16.3  | Borrowed funds .....  |                                 |   |
| 16.4  | Net deposits on deposit-type contracts and other insurance liabilities .....                                |                                 |   |
| 16.5  | Dividends to stockholders .....   |                                 |   |
| 16.6  | Other cash provided (applied) .....   |                                 |   |
| 17.   | Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) ..... |                                 |   |
| RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS |   |                                 |   |
| 18.   | Net change in cash and short-term investments (Lines 11 plus 15 plus 17) .....                              | (68,141)                        | (1,517,222)                             |
| 19.   | Cash and short-term investments:  |                                 |   |
| 19.1  | Beginning of year .....   | 3,251,451                       | 4,768,673                               |
| 19.2  | End of period (Line 18 plus Line 19.1) .....  | 3,183,310                       | 3,251,451                               |

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

| Description |       | Amount<br>1 | Amount<br>2 |
|-------------|-------|-------------|-------------|
| 20.0001     | ..... |             |             |

**EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION**

|  |  | 1        | Comprehensive (Hospital & Medical) |            | 4                      | 5              | 6              | 7   | 8                       | 9                     | 10           | 11                   | 12                | 13    |
|--|--|----------|------------------------------------|------------|------------------------|----------------|----------------|---|-------------------------|-----------------------|--------------|----------------------|-------------------|-------|
|  |  | Total    | 2<br>Individual                    | 3<br>Group | Medicare<br>Supplement | Vision<br>Only | Dental<br>Only | Federal<br>Employees Health<br>Benefit Plan | Title XVIII<br>Medicare | Title XIX<br>Medicaid | Stop<br>Loss | Disability<br>Income | Long-Term<br>Care | Other |
| Total Members at end of:                       |  |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 1.   | Prior Year .....   | 28,910   |                                    |            |                        |                |                |   |                         | 28,910                |              |                      |                   |       |
| 2.   | First Quarter .....  | 30,254   |                                    |            |                        |                |                |   |                         | 30,254                |              |                      |                   |       |
| 3.   | Second Quarter .....   | 30,748   |                                    |            |                        |                |                |   |                         | 30,748                |              |                      |                   |       |
| 4.   | Third Quarter .....  |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 5.   | Current Year .....   |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 6.   | Current Year Member Months .....                               | 190,649  |                                    |            |                        |                |                |   |                         | 190,649               |              |                      |                   |       |
| Total Member Ambulatory Encounters for Period: |  |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 7.   | Physician .....  | 166      |                                    |            |                        |                |                |   |                         | 166                   |              |                      |                   |       |
| 8.   | Non-Physician .....  | 18       |                                    |            |                        |                |                |   |                         | 18                    |              |                      |                   |       |
| 9.   | Total .....  | 184      |                                    |            |                        |                |                |   |                         | 184                   |              |                      |                   |       |
| 10.  | Hospital Patient Days Incurred .....                           |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 11.  | Number of Inpatient Admissions .....                           |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 12.  | Health Premiums Written .....                                  |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 13.  | Life Premiums Direct .....                                     |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 14.  | Property/Casualty Premiums Written .....                       |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 15.  | Health Premiums Earned .....                                   |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 16.  | Property/Casualty Premiums Earned .....                        |          |                                    |            |                        |                |                |   |                         |                       |              |                      |                   |       |
| 17.  | Amount Paid for Provision of Health Care Services ...          | 253,337  |                                    |            |                        |                |                |   |                         | 253,337               |              |                      |                   |       |
| 18.  | Amount Incurred for Provision of Health Care<br>Services ..... | (34,523) |                                    |            |                        |                |                |   |                         | (34,523)              |              |                      |                   |       |

**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

| Aging Analysis of Unpaid Claims                                |                  |                   |                   |                    |                    |            |
|--|------------------|-------------------|-------------------|--------------------|--------------------|------------|
| 1<br>Account   | 2<br>1 - 30 Days | 3<br>31 - 60 Days | 4<br>61 - 90 Days | 5<br>91 - 120 days | 6<br>Over 120 Days | 7<br>Total |
| <div>NONE</div>  |                  |                   |                   |                    |                    |            |
| 0899999 Accrued Medical Incentive Pool And Bonus Amounts ..... |                  |                   |                   |                    |                    | .....      |

**UNDERWRITING AND INVESTMENT EXHIBIT**

**ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

| Line<br>of<br>Business |  | Claims<br>Paid Year to Date                                    |   | Liability<br>End of<br>Current Quarter         |   | 5  | 6   |
|------------------------|--|--|---|--|---|--|---|
|                        |  | 1  | 2   | 3  | 4   | Claims Incurred<br>in Prior Years<br>(Columns 1+3) | Estimated Claim<br>Reserve and<br>Claim<br>Liability<br>Dec.31 of<br>Prior Year |
|                        |  | On<br>Claims Incurred<br>Prior to January 1<br>of Current Year | On<br>Claims Incurred<br>During the<br>Year | On<br>Claims Unpaid<br>Dec.31 of<br>Prior Year | On<br>Claims Incurred<br>During the<br>Year |  |   |
| 1.                     | Comprehensive (hospital & medical) .....         | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 2.                     | Medicare Supplement .....                        | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 3.                     | Dental only .....                                | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 4.                     | Vision only .....                                | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 5.                     | Federal Employees Health Benefits Plan .....     | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 6.                     | Title XVIII - Medicare .....                     | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 7.                     | Title XIX - Medicaid .....                       | 30,295   | .....                                       | .....  | .....                                       | 30,295   | 64,818  |
| 8.                     | Other health .....                               | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 9.                     | Health subtotal (Lines 1 to 8) .....             | 30,295   | .....                                       | .....  | .....                                       | 30,295   | 64,818  |
| 10.                    | Other non-health .....                           | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 11.                    | Medical incentive pools, and bonus amounts ..... | .....  | .....                                       | .....  | .....                                       | .....  | .....   |
| 12.                    | TOTALS .....                                     | 30,295   | .....                                       | .....  | .....                                       | 30,295   | 64,818  |

**Notes to Financial Statement**

1. VHP, Inc. does not have wash sales.

**GENERAL INTERROGATORIES**  
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes[ ] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[ ] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[ ] No[ ] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 3.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, complete the Schedule Y - Part 1 - organization chart

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1              | 2                    | 3                    |
|----------------|----------------------|----------------------|
| Name of Entity | NAIC<br>Company Code | State of<br>Domicile |
| .....          | .....                | .....                |

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes[ ] No[ ] N/A[X]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

7.4 By what department or departments?
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[ ] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.

9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1              | 2                      | 3              | 4              | 5              | 6              | 7              |
|----------------|------------------------|----------------|----------------|----------------|----------------|----------------|
| Affiliate Name | Location (City, State) | FRB            | OCC            | OTS            | FDIC           | SEC            |
| .....          | .....                  | . Yes[ ] No[X] | . Yes[ ] No[X] | . Yes[ ] No[X] | . Yes[ ] No[X] | . Yes[ ] No[X] |

**INVESTMENT**

- 10.1 Has there been any changes in the reporting entity's own preferred or common stock?

Yes[ ] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[ ] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....
13. Amount of real estate and mortgages held in short-term investments:

\$.....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[ ] No[X]
- 14.2 If yes, please complete the following:

**GENERAL INTERROGATORIES (Continued)**

|       |  | 1<br>Prior Year-End<br>Statement Value | 2<br>Current Quarter<br>Statement Value |
|-------|--|--|---|
| 14.21 | Bonds .....  | .....                                  | .....                                   |
| 14.22 | Preferred Stock .....  | .....                                  | .....                                   |
| 14.23 | Common Stock .....   | .....                                  | .....                                   |
| 14.24 | Short-Term Investments .....   | .....                                  | .....                                   |
| 14.25 | Mortgages, Loans or Real Estate .....  | .....                                  | .....                                   |
| 14.26 | All Other .....  | .....                                  | .....                                   |
| 14.27 | Total Investment in Parent, Subsidiaries and Affiliates (Subtotal<br>Lines 14.21 to 14.26) ..... | .....                                  | .....                                   |
| 14.28 | Total Investment in Parent included in Lines 14.21 to 14.26<br>above .....                       | .....                                  | .....                                   |
| 14.29 | Receivable from Parent not included in Lines 14.21 to 14.26<br>above .....                       | .....                                  | .....                                   |

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[ ] No[X]
- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[ ] N/A[X]
16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[ ] No[X]
- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s) | 2<br>Custodian Address |
|---------------------------|------------------------|
| .....                     | .....                  |

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
| .....        | .....            | .....                        |

- 16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[ ] No[X]
- 16.4 If yes, give full and complete information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date<br>of Change | 4<br>Reason |
|--------------------|--------------------|------------------------|-------------|
| .....              | .....              | .....                  | .....       |

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration<br>Depository | 2<br>Name(s) | 3<br>Address |
|---|--------------|--------------|
| .....                                   | .....        | .....        |

**SCHEDULE A - VERIFICATION**

|     |   | 1            | 2                               |
|-----|---|--------------|---------------------------------|
|     |   | Year To Date | Prior Year Ended<br>December 31 |
| 1.  | Book/adjusted carrying value, December 31 of prior year .....                                 |              |                                 |
| 2.  | Increase (decrease) by adjustment .....   |              |                                 |
| 3.  | Cost of acquired .....  |              |                                 |
| 4.  | Cost of additions to and permanent improvements .....   |              |                                 |
| 5.  | Total profit (loss) on sales .....  |              |                                 |
| 6.  | Increase (decrease) by foreign exchange adjustment .....                                      |              |                                 |
| 7.  | Amount received on sales .....  |              |                                 |
| 8.  | Book/adjusted carrying value at end of current period .....                                   |              |                                 |
| 9.  | Total valuation allowance .....   |              |                                 |
| 10. | Subtotal (Lines 8 plus 9) .....   |              |                                 |
| 11. | Total nonadmitted amounts .....   |              |                                 |
| 12. | Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) ..... |              |                                 |

NONE

**SCHEDULE B - VERIFICATION**

|     |  | 1            | 2                               |
|-----|--|--------------|---------------------------------|
|     |  | Year To Date | Prior Year Ended<br>December 31 |
| 1.  | Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year .....          |              |                                 |
| 2.  | Amount loaned during period:   |              |                                 |
| 2.1 | Actual cost at time of acquisitions .....  |              |                                 |
| 2.2 | Additional investment made after acquisitions .....  |              |                                 |
| 3.  | Accrual of discount and mortgage interest points and commitment fees .....   |              |                                 |
| 4.  | Increase (decrease) by adjustment .....  |              |                                 |
| 5.  | Total profit (loss) on sale .....  |              |                                 |
| 6.  | Amounts paid on account or in full during the period .....   |              |                                 |
| 7.  | Amortization of premium .....  |              |                                 |
| 8.  | Increase (decrease) by foreign exchange adjustment .....   |              |                                 |
| 9.  | Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....            |              |                                 |
| 10. | Total valuation allowance .....  |              |                                 |
| 11. | Subtotal (Lines 9 plus 10) .....   |              |                                 |
| 12. | Total nonadmitted amounts .....  |              |                                 |
| 13. | Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) ..... |              |                                 |

NONE

**SCHEDULE BA - VERIFICATION**  
**Other Invested Assets Included in Schedule BA**

|             |  | 1            | 2                               |
|-------------|--|--------------|---------------------------------|
| Description |  | Year To Date | Prior Year Ended<br>December 31 |
| 1.          | Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....       |              |                                 |
| 2.          | Cost of acquisitions during period:  |              |                                 |
| 2.1         | Actual cost at time of acquisitions .....  |              |                                 |
| 2.2         | Additional investment made after acquisitions .....  |              |                                 |
| 3.          | Accrual of discount .....  |              |                                 |
| 4.          | Increase (decrease) by adjustment .....  |              |                                 |
| 5.          | Total profit (loss) on sale .....  |              |                                 |
| 6.          | Amounts paid on account or in full during the period .....   |              |                                 |
| 7.          | Amortization of premium .....  |              |                                 |
| 8.          | Increase (decrease) by foreign exchange adjustment .....   |              |                                 |
| 9.          | Book/adjusted carrying value of long-term invested assets at end of current period .....               |              |                                 |
| 10.         | Total valuation allowance .....  |              |                                 |
| 11.         | Subtotal (Lines 9 plus 10) .....   |              |                                 |
| 12.         | Total nonadmitted amounts .....  |              |                                 |
| 13.         | Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) ..... |              |                                 |

NONE

**SCHEDULE D - VERIFICATION**

|     |   | 1            | 2                               |
|-----|---|--------------|---------------------------------|
|     |   | Year To Date | Prior Year Ended<br>December 31 |
| 1.  | Book/adjusted carrying value of bonds and stocks, December 31 of prior year ..... | 1,327,515    | 1,234,409                       |
| 2.  | Cost of bonds and stocks acquired .....   | 811,387      | 555,538                         |
| 3.  | Accrual of discount .....   |              |                                 |
| 4.  | Increase (decrease) by adjustment .....   | (14,512)     | (22,432)                        |
| 5.  | Increase (decrease) by foreign exchange adjustment .....                          |              |                                 |
| 6.  | Total profit (loss) on disposal .....   |              |                                 |
| 7.  | Consideration for bonds and stocks disposed of .....                              | 770,000      | 440,000                         |
| 8.  | Amortization of premium .....   |              |                                 |
| 9.  | Book/adjusted carrying value, current period .....                                | 1,354,390    | 1,327,515                       |
| 10. | Total valuation allowance .....   |              |                                 |
| 11. | Subtotal (Lines 9 plus 10) .....  | 1,354,390    | 1,327,515                       |
| 12. | Total nonadmitted amounts .....   |              |                                 |
| 13. | Statement value .....   | 1,354,390    | 1,327,515                       |

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

|   | 1  | 2   | 3   | 4   | 5  | 6   | 7  | 8  |
|---|--|---|---|---|--|---|--|--|
|   | Book/Adjusted<br>Carrying Value<br>Beginning of<br>Current Quarter | Acquisitions<br>During Current<br>Quarter | Dispositions<br>During Current<br>Quarter | Non-Trading<br>Activity During<br>Current Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>First Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>Second Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>Third Quarter | Book/Adjusted<br>Carrying Value<br>December 31<br>Prior Year |
| <b>BONDS</b>                            |  |   |   |   |  |   |  |  |
| 1. Class 1 .....                        | 1,321,265  | 811,387                                   | 770,000                                   | (8,262)   | 1,321,265  | 1,354,390   |  | 1,327,515  |
| 2. Class 2 .....                        |  |   |   |   |  |   |  |  |
| 3. Class 3 .....                        |  |   |   |   |  |   |  |  |
| 4. Class 4 .....                        |  |   |   |   |  |   |  |  |
| 5. Class 5 .....                        |  |   |   |   |  |   |  |  |
| 6. Class 6 .....                        |  |   |   |   |  |   |  |  |
| 7. TOTAL Bonds .....                    | 1,321,265  | 811,387                                   | 770,000                                   | (8,262)   | 1,321,265  | 1,354,390   |  | 1,327,515  |
| <b>PREFERRED STOCK</b>                  |  |   |   |   |  |   |  |  |
| 8. Class 1 .....                        |  |   |   |   |  |   |  |  |
| 9. Class 2 .....                        |  |   |   |   |  |   |  |  |
| 10. Class 3 .....                       |  |   |   |   |  |   |  |  |
| 11. Class 4 .....                       |  |   |   |   |  |   |  |  |
| 12. Class 5 .....                       |  |   |   |   |  |   |  |  |
| 13. Class 6 .....                       |  |   |   |   |  |   |  |  |
| 14. TOTAL Preferred Stock .....         |  |   |   |   |  |   |  |  |
| 15. TOTAL Bonds & Preferred Stock ..... | 1,321,265  | 811,387                                   | 770,000                                   | (8,262)   | 1,321,265  | 1,354,390   |  | 1,327,515  |

**14     Schedule DA Part 1 - ..... NONE**

**14     Schedule DA Part 2 Verification - ..... NONE**

**15     Schedule DB Part F Section 1 - ..... NONE**

**16     Schedule DB Part F Section 2 - ..... NONE**

**17     Schedule S Ceded Reinsurance - ..... NONE**

**18     Schedule T - Premiums and Other Consid. - ..... NONE**

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPAN'**  
**PART 1 - ORGANIZATIONAL CHART**

# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the SVO Compliance Certification be filed with this statement?

**RESPONSES**

Yes

Explanation:

Bar Code:

**OVERFLOW PAGE FOR WRITE-INS**

**E01      Schedule A Part 2 - ..... NONE**

**E01      Schedule A Part 3 - ..... NONE**

**E02      Schedule B Part 1 - ..... NONE**

**E02      Schedule B Part 2 - ..... NONE**

**E03      Schedule BA Part 1 - ..... NONE**

**E03      Schedule BA Part 2 - ..... NONE**

**SCHEDULE D - PART 3**

**Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter**

| 1   | 2                                 | 3       | 4               | 5                        | 6                            | 7             | 8                | 9   | 10  |
|---|-----------------------------------|---------|-----------------|--------------------------|------------------------------|---------------|------------------|---|---|
| CUSIP<br>Identification   | Description                       | Foreign | Date Acquired   | Name of<br>Vendor        | Number of<br>Shares of Stock | Actual Cost   | Par Value        | Paid for Accrued<br>Interest and<br>Dividends | NAIC<br>Designation<br>or Market<br>Indicator (a) |
| <b>Bonds - U.S. Governments</b>   |                                   |         |                 |                          |                              |               |                  |   |   |
| 3133MEU66 .....   | Federal Home Loan Bank Note ..... |         | 05/14/2004 .... | AmSouth Investment ..... | X X X .....                  | 811,387 ..... | 770,000.00 ..... | 20,579 .....                                  | 1 .....   |
| 0399999 Subtotal - Bonds - U.S. Governments .....                           |                                   |         |                 |                          | X X X .....                  | 811,387 ..... | 770,000.00 ..... | 20,579 .....                                  | X X X .....                                       |
| 6099997 Subtotal - Bonds - Part 3 .....                                     |                                   |         |                 |                          | X X X .....                  | 811,387 ..... | 770,000.00 ..... | 20,579 .....                                  | X X X .....                                       |
| 6099998 Summary Item for Bonds Bought and Sold This Quarter .....           |                                   |         |                 |                          | X X X .....                  | X X X .....   | X X X .....      | X X X .....                                   | X X X .....                                       |
| 6099999 Subtotal - Bonds .....  |                                   |         |                 |                          | X X X .....                  | 811,387 ..... | 770,000.00 ..... | 20,579 .....                                  | X X X .....                                       |
| 6599998 Summary Item for Preferred Stock Bought and Sold This Quarter ..... |                                   |         |                 |                          | X X X .....                  | X X X .....   | X X X .....      | X X X .....                                   | X X X .....                                       |
| 7299998 Summary Item for Common Stock Bought and Sold This Quarter .....    |                                   |         |                 |                          | X X X .....                  | X X X .....   | X X X .....      | X X X .....                                   | X X X .....                                       |
| 7399999 Subtotal - Preferred and Common Stock .....                         |                                   |         |                 |                          | X X X .....                  | X X X .....   | X X X .....      | .....   | X X X .....                                       |
| 7499999 Total - Bonds, Preferred and Common Stock .....                     |                                   |         |                 |                          | X X X .....                  | 811,387 ..... | X X X .....      | 20,579 .....                                  | X X X .....                                       |

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of  
by the Company During the Current Quarter

| 1   | 2                                       | 3                               | 4                | 5                    | 6                               | 7             | 8            | 9              | 10   | Change in Book/Adjusted Carrying Value             |  |   |   |  | 16   | 17  | 18                                     | 19                                  | 20  | 21               | 22  |
|---|---|---------------------------------|------------------|----------------------|---------------------------------|---------------|--------------|----------------|--|--|--|---|---|--|--|---|--|-------------------------------------|---|------------------|---|
|   |   |                                 |                  |                      |                                 |               |              |                |  | 11   | 12   | 13  | 14  | 15   |  |   |  |                                     |   |                  |   |
| CUSIP<br>Identification   | Description                             | F<br>o<br>r<br>e<br>i<br>g<br>n | Disposal<br>Date | Name of<br>Purchaser | Number<br>of Shares<br>of Stock | Consideration | Par<br>Value | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current Year's<br>(Amortization)/<br>Accretion | Current Year's<br>Other Than<br>Temporary<br>Impairment<br>Recognized | Total<br>Change in<br>B./A.C.V.<br>(11 + 12 - 13) | Total<br>Foreign<br>Exchange<br>Change in<br>B./A.C.V. | Book/<br>Adjusted<br>Carrying Value<br>at Disposal<br>Date | Foreign<br>Exchange<br>Gain (Loss)<br>on Disposal | Realized<br>Gain (Loss)<br>on Disposal | Total<br>Gain (Loss)<br>on Disposal | Bond Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Maturity<br>Date | NAIC<br>Designation<br>or Market<br>Indicator (a) |
| <b>Bonds - U.S. Governments</b>                                       |   |                                 |                  |                      |                                 |               |              |                |  |  |  |   |   |  |  |   |  |                                     |   |                  |   |
| 31359MES8   | Federal Nat'l Mtg Assoc. Benchmark Note | ...                             | 05/14/2004       | AmSouth Investment   | ... X X X ...                   | 335,000       | 335,000.00   | 349,826        | 337,965  | .....  | (2,965)  | .....   | (2,965)   | .....  | 335,000  | .....   | .....                                  | .....                               | 9,360   | 05/14/2004       | 1 .....   |
| 31359MES8   | Federal Nat'l Mtg Assoc. Benchmark Note | ...                             | 05/14/2004       | AmSouth Investment   | ... X X X ...                   | 435,000       | 435,000.00   | 455,228        | 439,214  | .....  | (4,214)  | .....   | (4,214)   | .....  | 435,000  | .....   | .....                                  | .....                               | 12,166  | 05/14/2004       | 1 .....   |
| 0399999 Subtotal - Bonds - U.S. Governments                           |   |                                 |                  |                      | ... X X X ...                   | 770,000       | 770,000.00   | 805,054        | 777,179  | .....  | (7,179)  | .....   | (7,179)   | .....  | 770,000  | .....   | .....                                  | .....                               | 21,526  | X X X            | X X X   |
| 6099997 Subtotal - Bonds - Part 4                                     |   |                                 |                  |                      | ... X X X ...                   | 770,000       | 770,000.00   | 805,054        | 777,179  | .....  | (7,179)  | .....   | (7,179)   | .....  | 770,000  | .....   | .....                                  | .....                               | 21,526  | X X X            | X X X   |
| 6099998 Summary Item for Bonds Bought and Sold This Quarter           |   |                                 |                  |                      | ... X X X ...                   | X X X         | X X X        | X X X          | X X X  | ... X X X ...                                      | X X X  | X X X   | X X X   | X X X  | X X X  | X X X   | X X X                                  | X X X                               | X X X   | X X X            | X X X   |
| 6099999 Subtotal - Bonds  |   |                                 |                  |                      | ... X X X ...                   | 770,000       | 770,000.00   | 805,054        | 777,179  | .....  | (7,179)  | .....   | (7,179)   | .....  | 770,000  | .....   | .....                                  | .....                               | 21,526  | X X X            | X X X   |
| 6599998 Summary Item for Preferred Stock Bought and Sold This Quarter |   |                                 |                  |                      | ... X X X ...                   | X X X         | X X X        | X X X          | X X X  | ... X X X ...                                      | X X X  | X X X   | X X X   | X X X  | X X X  | X X X   | X X X                                  | X X X                               | X X X   | X X X            | X X X   |
| 7299998 Summary Item for Common Stock Bought and Sold This Quarter    |   |                                 |                  |                      | ... X X X ...                   | X X X         | X X X        | X X X          | X X X  | ... X X X ...                                      | X X X  | X X X   | X X X   | X X X  | X X X  | X X X   | X X X                                  | X X X                               | X X X   | X X X            | X X X   |
| 7399999 Subtotal - Preferred and Common Stock                         |   |                                 |                  |                      | ... X X X ...                   | .....         | X X X        | .....          | .....  | .....  | .....  | .....   | .....   | .....  | .....  | .....   | .....                                  | .....                               | X X X   | X X X            | X X X   |
| 7499999 Total - Bonds, Preferred and Common Stock                     |   |                                 |                  |                      | ... X X X ...                   | 770,000       | X X X        | 805,054        | 777,179  | .....  | (7,179)  | .....   | (7,179)   | .....  | 770,000  | .....   | .....                                  | .....                               | 21,526  | X X X            | X X X   |

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

**E06     Schedule DB Part A Section 1 - ..... NONE**

**E06     Schedule DB Part B Section 1 - ..... NONE**

**E07     Schedule DB Part C Section 1 - ..... NONE**

**E07     Schedule DB Part D Section 1 - ..... NONE**

**SCHEDULE E - PART 1 - CASH**

| Month End Depository Balances   |  |  |                            |                     |   |   |   |                 |                |       |
|---|--|--|----------------------------|---------------------|---|---|---|-----------------|----------------|-------|
| 1   |  |  | 2                          | 3                   | 4   | 5   | Book Balance at End of Each Month<br>During Current Quarter |                 |                | 9     |
|   |  |  |                            |                     |   |   | 6   | 7               | 8              |       |
| Depository  |  |  | Code                       | Rate of<br>Interest | Amount<br>of Interest<br>Received<br>During<br>Current<br>Quarter | Amount of<br>Interest<br>Accrued<br>at Current<br>Statement<br>Date | First<br>Month  | Second<br>Month | Third<br>Month | *     |
| open depositories   |  |  |                            |                     |   |   |   |                 |                |       |
| AmSouth Bank .....  |  |  | Nashville, Tennessee ..... | 0.250               | 119   |   | 201,690   | 183,927         | 33,841         | X X X |
| Bank of America, N.A. ....  |  |  | Atlanta, Georgia .....     | 0.933               | 6,178   |   | 2,992,493   | 2,538,728       | 3,149,469      | X X X |
| 0199998 Deposits in ..... depositories that do not exceed the<br>allowable limit in any one depository (See Instructions) - open depositories ..            |  |  | X X X                      | X X X               |   |   |   |                 |                | X X X |
| 0199999 Totals - Open Depositories .....  |  |  | X X X                      | X X X               | 6,297   |   | 3,194,183   | 2,722,655       | 3,183,310      | X X X |
| 0299998 Deposits in ..... depositories that do not exceed the<br>allowable limit in any one depository (See Instructions) - suspended<br>depositories ..... |  |  | X X X                      | X X X               |   |   |   |                 |                | X X X |
| 0299999 Totals - Suspended Depositories .....   |  |  | X X X                      | X X X               |   |   |   |                 |                | X X X |
| 0399999 Total Cash On Deposit .....   |  |  | X X X                      | X X X               | 6,297   |   | 3,194,183   | 2,722,655       | 3,183,310      | X X X |
| 0499999 Cash in Company's Office .....  |  |  | X X X                      | X X X               | X X X   | X X X   |   |                 |                | X X X |
| 0599999 Total Cash .....  |  |  | X X X                      | X X X               | 6,297   |   | 3,194,183   | 2,722,655       | 3,183,310      | X X X |



# SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with making all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for provisionally exempt securities and new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities that have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware that, by its nature, would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender’s collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions\_\_\_\_\_

\_\_\_\_\_  
Name of Investment Officer

\_\_\_\_\_  
Signature of Investment Officer

\_\_\_\_\_  
Title of Signatory

\_\_\_\_\_  
Date

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